

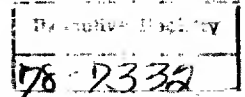
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NFAC No. 5592-78

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505



11 December 1978

National Intelligence Officers

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MEMORANDUM FOR: Director of Central Intelligence

VIA: Director, National Foreign  
Assessment Center

25X1A

FROM: [Redacted]  
National Intelligence Officer for China

SUBJECT: DIA Analysis of the PRC Leadership

1. Action Requested: None. This memorandum is for your information. It is in response to your question on DIA analysis of the Chinese leadership (see attached).

2. Background: This PRC item leaves the unwarranted impression that the Chinese are considering at least a partial "rejection of communism" in the area of economic decision making. Such a conclusion is not a responsible one to draw from the evidence at hand. The statement of a Chinese official to a leadership gathering that socialist systems become "overbureaucratized" by no means implies an abandonment of socialism or the embracing of capitalism. Rigid bureaucratic systems have been pet peeves of every Chinese communist leader starting with Mao and including Teng. The item's conclusion that economic decisionmaking will become so decentralized as to impinge on the authority of the national government also is unwarranted. The fact that China's top officials are meeting now to discuss such issues as economic policy attests to Peking's intention to keep the establishment of the major policy lines to itself. We expect some decentralization of economic decisionmaking--Peking has publicly urged local authorities to show more initiative in this regard--and it is logical to assume that the current effort to strike a workable balance between central and local initiative is no less difficult than it has ever been

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☒ DECL ☐ REVW ON 11 Dec 1985  
DERIVED FROM [Redacted]

State Dept., DIA reviews completed

All paragraphs in this

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for the Chinese communists. It does not follow, however, that the PRC will give up on this long-standing effort in favor of adopting a "capitalist" system or that such strong-willed leaders as Teng Hsiao-ping will give away the more important decisionmaking authority to local units.

3. One last point, the sources of this report are westernized Chinese in touch with sympathetic contacts in western embassies. Their comments are not typical of Chinese cadres and reflect wishful thinking. You have to see them against that broad background of hardnosed China-oriented revolutionary leaders who really call the shots after various views are ventilated.



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cc: DDCI

Attachment:  
DIA Analysis

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# INTELLIGENCE NOTES FOR THE SECRETARY OF DEFENSE (U)

7 DECEMBER 1978

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INTELLIGENCE NOTES  
FOR THE  
SECRETARY OF DEFENSE

IRAN:

(C/NOFORN) A USAF officer assisting in the F-5 program in Iran reported that on 4 or 5 December, 38 to 40 F-5s located in Tabriz were sabotaged. The aircraft reportedly had wires cut that connected to the microswitch controlling the landing gear. He also noted disaffection among some of the technical personnel with whom he discussed the sabotage.

(S/WNINTEL/NOFORN) A Defense Attache, Tehran, source said recently that both officer and enlisted personnel in the Imperial Iranian Air Force are becoming increasingly disgruntled with the existing political situation, and anti-Shah statements are becoming more prevalent.

(C/NOFORN) While past reporting has indicated disenchantment, primarily in some elements of the navy and air force, this is the most serious act of sabotage within the armed forces that we have noted. SOURCES: USDAO and AMEMB, Tehran (Classified by multiple sources; declassify on 4 Dec 98)

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EAST GERMANY:

(TS UMBRA/WNINTEL/NOFORN/NOCONTRACT/ORCON) Against the backdrop of continuing Soviet activities in Africa, there are also indications of increased East German involvement in three countries:

## EAST GERMAN ADVISERS

<u>Country</u>	<u>July 1978</u>	<u>December 1978</u>
Angola	225	300-500
Ethiopia	75	400-500
		(mostly civilians)
Zambia	0	100

(TS UMBRA/WNINTEL/NOFORN/NOCONTRACT/ORCON) The responsibilities of the advisers provided to Angola and Ethiopia appear to be confined mainly to police security, intelligence, communications, medical, and economic areas. We also believe the East Germans are assisting the South-West Africa People's Organization (SWAPO), but the number of advisers involved has not been confirmed. We do not, however, believe reports claiming that two or three battalions of East German combat troops have arrived in southern Angola to support SWAPO. In Zambia, we assume the East Germans, who began arriving around mid-September, are assisting the Zimbabwe African People's Union (ZAPU). SOURCES: CIA; AMEMB, Addis Ababa (Classified by multiple sources; review on 6 Dec 98)

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(S/NOFORN) Several knowledgeable PRC officials have revealed that the Party Work Conference in Peking, which had been expected to adjourn last week, is still in session. They further stated that the Chinese Ambassador to the European Community had addressed the conference on a comparison of socialist and capitalist economic systems. He concluded that socialism is superior except for its tendency to be "over bureaucratized," in which instance capitalism is the better alternative.

(S/NOFORN) The official's statements reveal that the conference is considering more than just developmental policy and is discussing the more basic and significant problems of the economic system itself. This could be the logical conclusion of China's reported experimentation with the Yugoslav system of decentralized socialism. The revelation of this issue as one of the conference's topics clarified a previously lightly regarded report that Vice Premier Teng Hsiao-Ping confidentially told the Japanese Foreign Minister, "We are presently studying whether the continuation of the communist system in the PRC hereafter will be good or bad for the country."

(S/NOFORN) Although total rejection of communism is not expected, Teng obviously envisages considerable movement from the highly centralized version that China now follows. The scope and complexity of such a move, with its political ramifications, account for the conference's continuation. Any decentralization of economic decisionmaking authority to individuals and enterprises will impinge on the power of the central government and the Communist Party and will be a contentious issue. It is expected that the specifics of how far and how fast the PRC leadership intends to move along this path will be revealed at the conclusion of the full Party Central Committee meeting scheduled later this month. SOURCES: USLO, Peking; 500th MIGP (Classified by multiple sources; review on 6 Dec 08)

\* \* \*

REPUBLIC OF CHINA:

(C) The government reportedly is prepared to act quickly and decisively against any disorder during the 23 December National Assembly and legislative elections.

(C) Gen Wang Ching-hsu, head of the Taiwan Garrison Command General Headquarters (TGGH), told four US Embassy officers and army attaches on the 2d that his country is concerned about Embassy contacts with the oppositionists as well as the presence of two US students on the staff of the newly formed oppositionists' campaign assistance staff group. He said the contacts and US citizens' participation could be exploited by the opposition

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and interpreted as US support for opposition positions and candidates, possibly influencing voters. The general did not threaten the US citizens or make any suggestions for modifying Embassy actions, but he clearly expressed hope that the US would limit its contacts.

(S/WNINTEL/NOFORN/NOCONTRACT/ORCON) Wang noted increasing student interest in politics, and he said that the government was against student participation in campaign activities, which officially open on the 8th. It does not want to see local campus disruptions that characterized the US universities in the 1960s. Student interest is at an all-time high; many professors are saying that they are having difficulty controlling them and that attempts to persuade students to keep hands off have failed. The government expects some oppositionists to adopt confrontation tactics during the election, and there is a distinct possibility of disturbances during the elections, particularly in Kaohsiung, Tainan, and Changhua.

(C) The TGGH is responsible for Taiwan's internal security, and Gen Wang, as commander, left no doubt that he is prepared to act decisively, to draw on provisions of martial law, and, if necessary, to move preemptively to ensure that embarrassing demonstrations do not occur as they did in Chungli last year. There has been no anti-US overtone in the campaign, nor is any expected. Should violence break out, however, unruly elements could stir up such sentiment. SOURCES: AMEMB, Taipei; CIA (Classified by multiple sources; review on 4 Dec 98)

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